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UNCLAS SECTION 01 OF 10 TOKYO 002581

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09/19/08

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Nikkei:

(1) Joint steps by Japan, U.S., Europe reflect expansion of financial crisis

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, September 18

NIKKEI (Page 2) (Full)

September 19, 2008

09:46

Met Vice MEXT Minister Zeniya at the Kantei.

11:51

Met Chief Cabinet Secretary Machimura.

13:05

Met Deputy Chief Cabinet Secretary Futahashi.

14:21

Met Japan-ROK Friendship Association Central Committee Chairman Kim Su Han in the presence of Michio Ochi, the association's chief director.

15:47

Met China State Administration of Foreign Experts Affairs Director General Ji YunShi, Ambassador Cui Tiankai and others at the Keidanren Kaikan Hall at Otemachi, joined in by Keidanren Chairman Mitarai and METI Minister Nikai.

16:05

Attended a Japan-China business leaders' exchanges executive committee reception.

16:57

Met Cabinet Intelligence Director Mitani at the Kantei.

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17:55

Met Machimura.

18:16

Returned to his official residence.

4) Aso certain to win LDP race, having racked up 70 PERCENT of local chapter vote

NIKKEI (Page 1) (Abridged)
September 19, 2008

In the run-up to the ruling Liberal Democratic Party's presidential election, LDP Secretary General Taro Aso is now certain to win the race and become the successor to Prime Minister Yasuo Fukuda. Aso has now secured more than 60 PERCENT of the votes allocated to the LDP's lawmakers in both houses of the Diet. In addition, he will also likely garner more than 70 PERCENT of the votes from the LDP's local leaders. The LDP will hold a meeting of all its Diet members on Sept. 22 instead of holding a party convention to elect its new leader, where Aso will likely win more than half of their votes in the first ballot and is expected to be newly elected LDP president.

In the LDP's presidential election, its lawmakers from the Diet's lower and upper chambers will cast their votes (386 as of Sept. 22) and its 47 prefectural federations across the nation will also cast their votes (141), totaling 527 votes. The LDP allocates three votes to each of its prefectural federations. Each LDP prefectural federation will hold a preliminary polling of party members and fraternity members to decide for which candidate it will cast its three votes.

5) Diet dissolution possibly 9 days after cabinet formation:
Shortest administration in postwar history

MAINICHI (Page 3) (Full)
September 19, 2008

In considering how many days each newly inaugurated cabinet in the past was in office before the Diet was dissolved, the shortest was the first Hatoyama cabinet which lasted in 1954 for 45 days. This time, the Diet is expected to designate the prime minister on Sept. 24. If the House of Representatives is dissolved on Oct. 3, nine days later, the shortest record will be broken.

Against the backdrop of his popularity, Prime Minister Ichiro Hatoyama dissolved the House of Representatives for a general election, which was held in February 1955. His Democratic Party increased its seats from 124 to 185 and became the leading party. The second shortest was the first Mori cabinet that lasted 58 days. Prime Minister Yoshiro Mori, who took over after Prime Minister Keizo Obuchi passed away, dissolved the House of Representatives in June 2000 before the Kyushu-Okinawa summit. However, the ruling Liberal Democratic Party lost a substantial number of seats due to Mori's gaffes. Both cabinets were rather intended to manage an

election from the start. LDP Secretary General Aso, who is now seen as the likely winner of the LDP's presidential election this time, is also expected to be the LDP's face for a general election.

6) Notion being floated of "Aso vs. Ozawa" race in Tokyo district in Lower House election

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SANKEI (Page 5) (Abridged slightly)
September 19, 2008

Yoshihide Suga, deputy chairman of the Liberal Democratic Party (LDP) Election Strategy Council, delivered a speech yesterday in Yokohama. Referring in it to a rumor that Democratic Party of Japan (DPJ) President Ichiro Ozawa is now looking into the possibility of shifting to another electoral district (from his home constituency in Iwate Prefecture) when he runs in the next House of Representatives election, Suga said: "If Mr. Ozawa runs from Tokyo, we will have our new president contest with him in Tokyo. The Election Strategy Council is now considering it in a serious manner." All the more because Suga is a close aide to Secretary General Taro Aso, who is the strongest LDP presidential candidate, his remarks about a possible "Aso vs. Ozawa" contest will likely create a commotion.

The largest opposition party revealed on Sept. 12 a list of its official candidates as the first batch for the Lower House election. The DPJ, however, forwent including Ozawa's name in the list as a candidate to run from the Iwate No. 4 constituency, from which he always has run. Secretary General Yukio Hatoyama, on a TV talk show on Sept. 14, said: "(Ozawa) will not run from Iwate." He implied the possibility of Ozawa running from the Tokyo No. 12 constituency, which is New Komeito leader Akihiro Ota's home constituency, saying: "It's one of the most likely options."

On Sept. 15 Ozawa, however, tricked everyone by saying: "I have not made up my mind yet." If Ozawa runs from the Tokyo No. 12 electoral district, many conservative votes will go to him. As a result, Ota will inevitably face an uphill battle.

Suga's remarks appear to be aimed at seeking to constrain the DPJ, which is now rocking the ruling coalition. However, the prevailing view in the LDP is that Suga must have received Aso's concurrence. A senior LDP member said: "The next Lower House election will become a decisive tattle between the LDP-New Komeito coalition and the DPJ" if both Aso and Ozawa run from the Tokyo No. 12 constituency.

Chances are strong that should Aso run from the Tokyo No. 12 constituency, Ota would be filed as a candidate for the proportional representation segment or the LDP would give him another electoral district and give him full support. If that happens, electoral cooperation between the LDP and its coalition partner New Komeito will be promoted in every constituency. An LDP source said: "Mr. Suga seems to have carefully calculated the various ripple effects."

7) DPJ to file Fukuda as "assassin" candidate against Kyuma

SANKEI (Page 5) (Full)
September 19, 2008

Ichiro Ozawa, president of the main opposition Democratic Party of Japan (DPJ), has continued to travel across the nation to gather candidates to file in the next House of Representatives election.

Yesterday in Nagasaki City, Ozawa asked Eriko Fukuda, 27, a hepatitis C infected plaintiff, to run from the Nagasaki No. 2 constituency as a candidate on the DPJ ticket and he received her consent. The Nagasaki No. 2 electoral district is the home

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constituency of former Defense Minister Fumio Kyuma, 67, who has close ties to Liberal Democratic Party (LDP) Secretary General Taro

Aso. Ozawa appears to have filed Fukuda as an "assassin" candidate against Kyuma.

Ozawa, who attended a press conference at which Fukuda announced her candidacy, stressed:

"Drug-induced diseases are a symbolic problem caused by politics today. Ms. Fukuda must tell about her experience and background so that the public will understand the need for political change."

Ozawa is expected to announce today that the DPJ will field Kazumi Ota, 27, an incumbent Lower House member, as its candidate for the Fukushima No. 2 constituency in the next general election.

8) DPJ-PNP merger: Party head talks today; Coordination of views on what form merger should take likely to become difficult

NIKKEI (Page 2) (Abridged slightly)
September 19, 2008

The Democratic Party of Japan (DPJ or Minshuto) at its executive board meeting on September 18 formally decided to move ahead with a merger with the People's New Party (PNP or Kokumin Shinto). President Ichiro Ozawa will meet with PNP President Tamisuke Watanuki today to formally propose a merger between the two parties and confer on the matter in concrete terms. Both parties want to reach a basic agreement by early next week. However, with some PNP members still remaining cautious about the proposal, coordination of views on the merger plan could encounter complications, if the DPJ insists on the form of the merger and keeping their party name.

Secretary General Yukio Hatoyama at the DPJ executive board meeting asked participants: "We would like to make a merger proposal. Please leave talks with the PNP to the three executives." Vice President Katsuya Okada asked whether the party name will change. Hatoyama replied, "Basically, no." According to one participant, Hatoyama hinted that the planned merger will be a consolidation takeover with the PNP disbanding itself and being merged into the DPJ.

Deputy President Naoto Kan after the meeting proposed holding a party head talks on the 19th to Deputy PNP President Shizuka Kamei on the phone. Kamei agreed. The DPJ will hold a general assembly of its lawmakers from both Diet chambers after the party head talks and discuss how to deal with the issue.

Ozawa, who is taking the initiative on the issue, intends to make sure that the DPJ garners anti-postal privatization votes without fail. He appears to be motivated by the desire to expand the party to become the largest single party (in the Lower House). The PNP wants to avoid being shunted into the background. Kamei during a press conference stressed, "We must accept the proposal, even if there are some drawbacks in it." Watanuki hinted at his stance of accepting the merger proposal, if party members agree. He said, "I would like to consolidate the opinions of party members."

9) Nagatacho moves into Lower House election mode

YOMIURI (Page 4) (Excerpts)
September 19, 2008

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The ruling and opposition parties have been actively readying themselves for an Oct. 26 Lower House election. Confrontation between the two camps is also intensifying over the fiscal 2008 supplementary budget bill to be submitted to the next extraordinary Diet session that will open on Sept. 24. The capitol district of Nagatacho has fully shifted to a Lower House election mode.

In a meeting of the LDP's Yamasaki faction yesterday, former LDP Vice President Taku Yamasaki said: "Let's make thorough preparations so that all of us can win seats in the upcoming election."

The ruling bloc's strategy is to win the Lower House election by taking advantage of the momentum of the LDP presidential election. But some in the ruling bloc fear an early election, in part due to

economic uncertainty in the country resulting from the collapse of a major U.S. securities house, Lehman Brothers. In fact, some lawmakers at the Yamasaki faction meeting were vocally pessimistic, one saying: "There are no winning factors. Dissolving the Lower House would be suicidal."

Every lawmaker has begun making preparations for the next Lower House election, which seems certain to take place on Oct. 26. An LDP Tsushima faction executive said: "No one can stop this trend. Logic doesn't work in this world."

LDP Election Strategy Council Chairman Makoto Koga yesterday met with Fukushima prefectural chapter executives at the party headquarters and told them that the party would no longer use the Costa Rica method in Fukushima constituencies No. 1 and No. 5. The LDP plans to field Yoshitami Kameoka, who won the previous election, in Constituency No. 1. The party also intends to undertake coordination for fielding Goji Sakamoto, who was on the proportional representation list in the previous race, in Constituency No. 5 and transferring Masayoshi Yoshino, who won Constituency No. 5, to Constituency No. 3.

10) Yohei Kono holds retirement press conference

ASAHI (Page 4) (Abridged slightly)
September 19, 2008

Lower House Speaker Yohei Kono, 71, held a press conference last night at a hotel in Hakone Town, Kanagawa Prefecture. In the meeting, Kono announced that he would retire from politics and not run in the next Lower House election. Kono, dubbed the last "dovish heavyweight" in the Liberal Democratic Party, made this request to junior lawmakers: "Although Hiroshima was a victim (of the atomic bombings), I want (young politicians) to also study the fact that Japan was an aggressor. I would like you to think earnestly about Japan's diplomacy toward South Korea and China, and when you face those countries, to see them with a correct attitude."

In 1993, Kono issued a statement as chief cabinet secretary under the then Miyazawa cabinet expressing an apology and remorse by officially admitting that the military had forced the so-called "comfort women" into sexual slavery (during WWII). Looking back at the event, Kono said, "It was an extremely vital statement." Referring to moves to deny the statement that resulted from then Prime Minister Shinzo Abe's comment, "It is a fact that there was no evidence of the Japanese military forcing (comfort women) into (sexual slavery)," Kono said: "The denial of the statement created trouble for Japan in the United States, and it was taken up in Asia

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and the Netherlands, as well. It was regrettable that doubts were raised about Japanese politics each time."

As the reason for his retirement, Kono cited the fact that he had chaired the G-8 Lower House Speakers' summit held earlier this month in Hiroshima. He said: "It was my long-cherished dream. After hosting the event, I felt a great sense of accomplishment. My health is not necessarily in a perfect condition, either." In 2002, Kono received part of the liver of his son, Taro Kono, also a Lower House lawmaker, to treat liver cirrhosis because his hepatitis C had worsened. Kono also said: "I feel that I was given a new life. I cannot waste this life. With that in mind, I have served as Lower House speaker over the last six years and have done my very best in performing my job."

In winding up his press conference, he touched on the divided Diet and emphatically said: "Japan must not lose its international credibility because of the divided Diet."

11) Wise decision by Japan, U.S., Europe to jointly pump dollars into global money markets

ASAHI (Page 2) (Excerpts)
September 19, 2008

The central banks of Japan, the U.S., and Europe have decided to

pump dollars into global money markets in a joint effort to ease the credit crunch triggered by the upheaval on Wall Street. They made the decision, seeing desperate efforts by banks across the world to secure dollars amid growing fears of a global financial crisis due to major U.S. financial institutions having reached a deadlock. Views are divided on whether the new mechanism would be able to end the ongoing turmoil.

Japan now lender

The U.S. Federal Reserve Board (FRB) asked the Bank of Japan (BOJ) on Sept. 17 to join forces with other central banks to boost supplies of dollars in global financial markets. The request came just after a meeting to determine monetary policies was over.

On the European market, which opened on the evening of Sept. 17, Japan time, dollar trading was quite thin, given the increasing financial instability in the U.S.. A sharp rise in interest rates has made some financial institutions unable to procure necessary dollars. Alarmed at the situation, the European Central Bank (ECB) urgently worked on the FRB to provide more dollar funds.

A change has also been appearing on the Japanese short-term money market. Foreign financial institutions that remain unable to procure dollars in the U.S. and Europe have aggressively bought yen and changed the yen into dollars since the summer of last year. A senior BOJ officer said: "Japanese financial institutions are now valuable capital suppliers."

The demise of Lehman Brothers has multiplied yen-dollar swap deals. Foreign financial institutions have begun to procure yen funds on the Tokyo market despite high interest rates. Even Japanese financial institutions now find it difficult to procure short-term funds.

The BOJ has started open-market operations to specially provide huge

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funds since Sept. 16. Funds offered during the three days total 8 trillion yen, the largest scale ever since the money supply was eased in March 2006. Despite this effort, the average short-term interest rate is 0.70 PERCENT, higher than the target rate of 0.5 PERCENT set by the BOJ in implementing monetary policies.

BOJ Governor Masaaki Shirakawa decided to take joint steps with the central banks of the U.S. and Europe, saying: "If it becomes impossible to procure capital in dollar markets, a further burden will be imposed on yen markets." BOJ members hurriedly drew up an accord with the FRB and announced it in an extraordinary monetary policymaking meeting that started at 15:00 yesterday.

12) Imports of minimum-access rice to be halted for time being as measure to address incident involving pesticide-contaminated rice

ASAHI (Page 7) (Excerpts)
September 19, 2008

Following the revelation that rice contaminated with such substances as pesticide has been used for human consumption, the Ministry of Agriculture, Forestry and Fisheries (MAFF) has decided to suspend for the time being imports of minimum-access (MA) rice, which had become a supply source for the tainted rice. This is because the government has yet to coordinate views on what measures to take to prevent a recurrence. The decision could affect Japan being able to meet its obligation to import a certain amount of MA rice.

Vice Agricultural Minister Shirasu revealed the decision at a press conference on September 18. Public bidding for 2.5 tons of minimum-access rice targeting trading houses, which handles imports of such rice, was planned for the 17th. However, the bidding has been postponed. Whether such bidding will be resumed has yet to be decided.

MAFF Minister Ota on the 16th came up with a policy of returning or discarding tainted rice that has been determined in inspection carried out at ports as problematical in accordance with the Food

Hygiene Law. This is a measure to prevent such rice from being allowed into the country. Japan has thus far imported tainted rice not for human consumption but for industrial use, such as for making glue. This rice was misused this time.

However, specifics, such as who should shoulder the cost of returning or discarding such rice, have yet to be worked out. MAFF said that imports would be suspended until such concrete measures are adopted.

How to address the issue of the cost of returning polluted rice topped the agenda of a meeting of the Upper House Agriculture, Forestry and Fisheries Committee held on the 18th. MAFF General Food Policy Bureau Director General Machida said, "Principally, importers would have to bear the cost. However, in order to prevent such, we will work on exporting countries to, for instance, strengthen hygienic efforts."

Trading companies are increasingly becoming dismayed at the situation. An executive of a certain leading trading house said, "If we are forced to pick up the bill, no companies would take part in public bidding for minimum-access rice." There is no guarantee that exporting countries will agree to shoulder the cost without putting up resistance.

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13) China: Open IT product source code

YOMIURI (Page 1) (Abridged)
September 19, 2008

The Chinese government has plans to introduce a new requirement in May 2009, under which foreign businesses will be ordered to disclose information to Chinese authorities about the core of digital appliances and other products, sources revealed yesterday. The subject products could include IC cards, digital copying machines, and flat-screen television. If foreign firms refuse to disclose the information, they would be banned from exporting any of their products to China and also prohibited from manufacturing and marketing their products in China. If that is the case, corporate intellectual properties may flow to Chinese firms. In addition, cryptographic technologies used for digital equipment would leak out to China. There are also such concerns for security reasons. The Ministry of Economy, Trade and Industry and the Office of the U.S. Trade Representative will strongly call for China to retract the planned system. This could develop into a serious trade issue.

China says the newly planned protocol is "for the mandatory authorization of IT security products." Regarding the subject products, the new system will mandate foreign firms to open source code that is a design of software controlling digital appliances and other products. These products must pass a test based on their disclosed source code and must also pass a certification authority's inspection, or they cannot be marketed in China. The new system is internationally unprecedented.

The new system is likely to target encrypted products, such as FeliCa, the contactless IC card technology developed by Sony Corporation. Among other likely targets are digital copying machines and computer servers.

According to the Chinese government's account, the purpose of mandating foreign companies to open the source code of their products is to block computer viruses, which target software defects, and is also to prevent hackers.

But there is no denying that disclosed information could leak out to Chinese firms through the Chinese government. Moreover, it is also easy to find out Japanese-made digital equipment's coding information. One says it may be exploited by China's espionage, for example.

14) Machimura: Next prime minister will attend UNGA

ASAHI (Page 4) (Full)

September 19, 2008

Chief Cabinet Secretary Nobutaka Machimura informed yesterday the Rules and Administration Committees of the two Diet chambers that the next prime minister to be elected on Sept. 24 would visit New York on Sept. 25-27 to attend the UN General Assembly. The Japanese prime minister skipped UNGA for the two consecutive years since then Prime Minister Junichiro Koizumi addressed UNGA in 2005.

There is criticism in the Democratic Party of Japan that it is strange for the next prime minister to address the UN before delivering a policy speech before Japan's Diet. Machimura, touching

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on it in a press conference held later on, said: "Japan hosted this year's G-8 summit. DPJ President (Ozawa) has repeatedly indicated that the United Nations is important. I cannot understand why the DPJ is opposing it despite that."

SCHIEFFER